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22 October 1952

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MEMORANDUM FOR: DIRECTOR OF CENTRAL INTELLIGENCE
SPECIAL ASSISTANT, INTELLIGENCE, DEPARTMENT
OF STATE
ASSISTANT CHIEF OF STAFF, G-2, DEPARTMENT
OF THE ARMY
DIRECTOR OF NAVAL INTELLIGENCE, DEPARTMENT
OF THE NAVY
DIRECTOR OF INTELLIGENCE, HEADQUARTERS, UNITED
STATES AIR FORCE
DIRECTOR OF INTELLIGENCE, ATOMIC ENERGY
COMMISSION
DEPUTY DIRECTOR FOR INTELLIGENCE, THE JOINT STAFF
ASSISTANT TO THE DIRECTOR, FEDERAL BUREAU OF
INVESTIGATION

SUBJECT: Intelligence Deficiencies Revealed in SE-27

REFERENCE: Memorandum from the Director of Central Intelligence,
dated 13 August 1952

(This memorandum covers economic
research and collection requirements)

Since receipt of the referenced memorandum, a series of actions have been initiated through the Economic Intelligence Committee which I believe will, in time, effectively correct the intelligence deficiencies in research and collection requirements. I have outlined these actions below, with specific reference to the responsible agency.

1. COLLECTION REQUIREMENTS:

- a. The State Department/ Intelligence Acquisition and Distribution Division will prepare a new comprehensive economic reporting guide for Hong Kong. This guide will be coordinated among the IAC agencies through the Requirements Subcommittee of the EIC, and will note priorities for collection. The Hong Kong guide, which will also be used as a guide for reporting from other peripheral areas such as Japan, is scheduled for completion within the next two months.
- b. The State Department/ Intelligence Acquisition and Distribution Division will, as an interim measure, provide copies of this guide to other agencies for use in their respective programs.

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- c. Representatives of the military services on the Requirements Subcommittee have considered the desirability of submitting their standing collection requirements to that Subcommittee for review and comment sometime before the end of the year. All IAC agencies have generally agreed to do this with the exception of the Air Force which still has the matter under consideration.
- d. The CIA/ Office of Research and Reports will prepare comprehensive requirements for OO/C on the Chinese Communist economy and will submit these to the Requirements Subcommittee for review by the IAC agencies. This will be accomplished before the end of the year.
- e. The CIA/ Office of Research and Reports, in line with its expanded research responsibilities, will review the priority intelligence targets for China which have been formulated by the Intelligence Priorities Committee of the IAC.

2. RESEARCH:

a.



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- b. The CIA/ Office of Research and Reports has undertaken to inventory the readily available information on the Chinese Communist economy, and to complete a summary study for the major economic sections by 15 January 1953. The stepped-up ORR program is being coordinated with the NIS program and with the programs of other IAC agencies by means of a survey through the EIC of the potential of the respective IAC agencies for dealing with specific research gaps. The EIC has constituted an Interagency Coordinating Group to direct this survey and advise on the development of an over-all research program. (Tab B)
- c. Pending the outcome of this survey, the CIA/ Office of Research and Reports has initiated a greatly expanded research effort on this area. A total of 22 research projects directly focused on Communist China have been programmed for the calendar year 1953, as compared to about 5 in 1952. In addition, some 55 projects covering the entire Soviet Bloc will also include sections on this area. (Tab C)

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- d. The CIA/ Office of Research and Reports has initiated the following external research projects which are to be undertaken by the Center for International Studies (CENIS) at MIT: (1) "Manchuria Today", (2) "The Pattern of Economic Development in Communist China", and (3) "The Manchurian Railways".

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4. GENERAL:

Filling the gaps on Chinese economic development and capability which are most critical for national intelligence hinges on linking an intensified effort on China with the already considerable effort on the USSR. The problem is long-term, and the research program being developed to meet it must also be long-term. Many of the final answers to the general deficiencies noted in the post-mortem on SE-27 will not be immediately forthcoming, but it is believed confidently that the coming year will bring a marked improvement in economic intelligence support to national estimates on China.

ROBERT AMORY, JR.
Chairman
Economic Intelligence Committee

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